Women in Government

Family Economic Success
Policy Resource Center

Home Mortgages and Foreclosures Fact Sheet

Brief Overview

High default rates on subprime and adjustable rate mortgages (ARM) followed the burst of the housing bubble and increased dramatically in late 2006 as easy initial loan terms expired, home prices failed to go up as anticipated, and ARM interest rates reset higher. As a result of mortgage delinquencies, foreclosures have skyrocketed. "At least one out of five subprime loans will end in foreclosure—representing the highest rate of U.S. foreclosures since the Great Depression." [1]

As noted by the Center for Responsible Lending, the aggressive marketing of reckless loans, a regular occurrence in the subprime market, has a ripple effect that reaches far beyond the families who receive these loans. Entire communities are hurt. The U.S. economy is weakened. Most directly impacted are the millions of families losing their homes—including low-income, working families and minority families, who receive a high share of subprime loans and experience a disproportionate level of resulting foreclosures. [1] State policy makers can help protect homeownership by sponsoring legislation requiring mediation in foreclosures, creating a moratorium on foreclosures, enacting protections against predatory mortgage lending, and providing counseling and financial assistance. [2]

[1] Center for Responsible Lending; [2] PolicyforResults.org

Home Mortgages and Foreclosures Facts

- In 2009 alone, foreclosures will cause 69.5 million nearby homes to suffer price declines averaging $7,200 per home and resulting in a $502 billion total decline in property values. During the period 2009-2012, the Center for Responsible Lending projects that foreclosures will cost 92 million U.S. families some $1.9 trillion in lower home values--an average of $20,300 in lost wealth per household. (Center for Responsible Lending)

- As of 2007, 68 % of all American families owned their own homes. Approximately 47% of African Americans and 50% of Hispanics owned their own home, compared to 75% of White, non-Hispanics. (U.S. Census Bureau)

- Children suffer when their family faces an economic crisis and home loss. Research indicates that children who face home loss are more likely to move from school to school. This school mobility is associated with poor educational outcomes and behavioral problems, and family economic stress is associated with poor health outcomes for children. (First Focus)

- As early as 2000, government agencies found that African-American families living in upper-income neighborhoods were more likely to receive subprime loans than white families living in low income neighborhoods. Neighborhoods formerly subjected to "redlining," where they couldn't get any loans at all, became the victims of "reverse redlining," where predatory subprime lenders flooded minority neighborhoods with subprime loans. (Americans for Fairness in Lending)

Updated: June 2009

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